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Bosnia Herzegovina

Trade Policy Monitoring

Bosnia Serious About WTO Membership 2002

Approved by:

Kelly Shull

U.S. Embassy

Prepared by:

Sanela Stanojcic

Report Highlights: Bosnia and Herzegovina (BiH) recently submitted its draft Memorandum on Foreign Trade Regime to the World Trade Organization (WTO). This should clear the way for accession negotiations between BiH and WTO members. The BiH Minister of Foreign Trade and Economic Relations (MOFTER), Azra Hadziahmetovic, optimistically expects the WTO accession process to be completed within next two years.

Includes PSD changes: No
Includes Trade Matrix: No
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Harmonization of the BiH Tariff Regime

An intergovernmental working party began working on the Foreign Trade Memorandum on July 15, 1999. Meanwhile, there were certain requirements that BiH had to meet prior to the Memorandum's submission, including parliamentary approval of amendments to the BiH Law on Customs Tariffs. Under the amendments, which were adopted in August, tariffs for most traded agricultural products have been established and the value of protective tariffs (levies) ranges from 0.10 KM (\$0.05) for vegetables, to 6.00 KM (\$3.04) for medicinal herbs. Tariffs are based on the product's weight expressed in kilograms. Changes were also made to the way tariffs were calculated and all tariffs are now either ad valorem, specific, or compound. This should bring the BiH tariff regime into harmony with WTO standards.

Accession Expectations

BiH intends to negotiate from the position of a small, economically undeveloped country in transition. BiH imports most of its food needs (60-70%) and also has a negative trade balance. Interestingly, Minister Hazi Ahmetovic in a press conference stated that BiH will ask to be allowed to use export subsidies although the country has no history of subsidization nor apparent exportable surpluses.

While Minister Hadzi Ahmetovic expects WTO membership to proceed smoothly and yield economic benefits, many in the private sector do not share her optimism. A commonly held view is that the BiH economy, especially in agriculture, could be in an even worse situation after accession and agricultural producers and some processors regularly protest against low tariffs on imported products. Average import tariffs for agricultural products (5.2%) are much lower than in the EU and neighboring ex-Yugoslav countries. However, for some products tariffs are very high (200%) and this too is causing controversy. For example, a large meat processing is fighting high tariffs on imported raw materials (for chicken meat - 10% plus 2 KM or about \$1/kg).

Difficulties Expected

BiH will soon face a quite difficult period of negotiations. This is because although much has been done so far on trade liberalization, there is still much to be done in order to fulfill the WTO rules.

BiH is composed of two entities with significant differences with regard to the business environment. In some instances, goods do not move freely within the country and some businessmen have complained that it is more difficult to do business between two entities than it is with a foreign country. There has been little internal effort to create a single market in BiH, and significant legislative, regulatory, and institutional differences between the entities persist. Significant barriers to foreign direct investment remain as well, and there are weaknesses in the legal base related to competition, public procurement, financial services, standards and regulations, and the regulation of essential services.

Given the fact that BiH is a country with many issues when it comes to the WTO rules, the accession process of two years is probably optimistic and negotiations could last much longer.

The Government of BiH has asked the international community to provide short term technical support to help it prepare its accession package.

Existing Free-trade Agreements

BiH has signed free-trade agreements (FTAs) with five countries: Croatia, Slovenia, Yugoslavia, Macedonia, and Turkey. The agreement with Turkey has not yet been ratified. FTAs with Albania, Romania, and Bulgaria are being negotiated preparation.

According to those FTAs, there is a zero import duty for products originating from BiH. Duties on goods from FTA partners will decrease gradually over the next few years until they reach zero.